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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. 2)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☒ Preliminary Proxy Statement

☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(c)(2))

☐ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Under Rule 14a-12

TARRAGON CORPORATION

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☐ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☒ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

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Equity Compensation Plan Information

As of March 30, 2007, the Tarragon Omnibus Plan, Tarragon's Amended and Restated Share Option and Incentive Plan, or the Share Incentive Plan, and Tarragon's Amended and Restated Independent Director Share Option Plan, or the Director Plan, were the only compensation plans under which its securities were authorized for issuance. These plans were approved by Tarragon stockholders. The following table provides information as of March 30, 2007.

Plan Category	Number of shares of common stock to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of shares of common stock remaining available for future issuance under equity compensation plans
Equity compensation plans approved by stockholders	2,925,096	\$6.78	1,206,976(1)
Equity compensation plans not approved by stockholders	—	\$ —	—

- (1) All of these shares are available for issuance under the Tarragon Omnibus Plan, as both the Share Incentive Plan and the Director Plan expired in November 2005.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information concerning the holdings of (1) each person known to Tarragon to be the beneficial owner of more than five percent of Tarragon common stock, (2) each director and named executive officer of Tarragon, (3) each person expected to be a director or named executive officer of Sage following the distribution, (4) each person expected to be a director or named executive officer of Tarragon Homes following the distribution, (5) all of Tarragon's directors and executive officers as a group, (6) all of Sage's directors and executive officers as a group and (7) all of Tarragon Homes' directors and executive officers as a group. This information was furnished to Tarragon by the respective director, officer or stockholder. Except as otherwise noted below, the information presented is based on such persons' ownership of Tarragon common stock and Tarragon 10% cumulative preferred stock as of March 30, 2007.

As of March 30, 2007, there were 28,686,614 shares of Tarragon common stock and 1,265,835 shares of Tarragon 10% cumulative preferred stock outstanding. Unless otherwise indicated, the persons listed below have sole voting and investment power with respect to their shares of Tarragon common stock, except to the extent the applicable law gives spouses shared authority.

Name of Beneficial Owner	Amount of Beneficial Ownership	Tarragon Common Stock		Approximate Percent of Class (1) (2)	Tarragon 10% Cumulative Preferred Stock	
		Nature of Beneficial Ownership	Total Beneficial Ownership (1)		Amount of Beneficial Ownership	Approximate Percent of Class
Lucy N. Friedman (3)	5,899,077(4)	Direct	12,307,857	42.9%	1,000	#
	6,408,780(5)	Indirect				
	—	Vested				
	—	Accelerated				
William S. Friedman * † ‡ (3)	4,018,271(6)	Direct	12,478,014	43.2%	—	—
	8,289,586(7)	Indirect				
	170,157	Vested				
	—	Accelerated				
Willie K. Davis * ‡	45,879(8)	Direct	49,879	#	—	—
	—	Indirect				
	4,000	Vested				
	—	Accelerated				
Richard S. Frary * †	76,442(8)	Direct	83,442	#	—	—
	—	Indirect				
	7,000	Vested				
	—	Accelerated				
David R. Fletcher †	—	Direct	—	—	—	—
	—	Indirect				
	—	Vested				
	—	Accelerated				
Lance Liebman * †	35,224(8)	Direct	84,910	#	—	—
	—	Indirect				
	49,686	Vested				
	—	Accelerated				
Kathryn Mansfield ‡	12,512(9)	Direct	99,362	#	—	—
	1,811(10)	Indirect				
	79,976	Vested				
	5,063	Accelerated				
Todd C. Minor ‡	41,136(11)	Direct	74,845	#	—	—
	—	Indirect				
	32,021	Vested				
	1,688	Accelerated				
Erin D. Pickens * ‡	39,499(11)	Direct	74,328	#	—	—
	—	Indirect				
	29,391	Vested				
	5,438	Accelerated				

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Name of Beneficial Owner	Amount of Beneficial Ownership	Tarragon Common Stock		Approximate Percent of Class (1) (2)	Tarragon 10% Cumulative Preferred Stock	
		Nature of Beneficial Ownership	Total Beneficial Ownership (1)		Amount of Beneficial Ownership	Approximate Percent of Class
Robert C. Rohdie *	203,937(12) 670,305(13) 253,500 —	Direct Indirect Vested Accelerated	1,127,742	3.9%	616,667	48.7%
William J. Rosato †	21,178(14) — 7,225 3,750	Direct Indirect Vested Accelerated	32,153	#	—	—
Robert P. Rothenberg * † ‡	58,825(153) — 1,088,813 —	Direct Indirect Vested Accelerated	1,147,638	3.9%	8,333	#
Charles D. Rubenstein * †	8,312(16) — 84,688 5,063	Direct Indirect Vested Accelerated	98,063	#	—	—
Lawrence G. Schafran * †	88,504(8)(17) — 2,000 —	Direct Indirect Vested Accelerated	90,504	#	—	—
Todd M. Scheffler †	55,365(18) — 105,448 2,813	Direct Indirect Vested Accelerated	163,626	#	—	—
Raymond V.J. Schrag * †	217,275(8) 58,611(19) 4,000 —	Direct Indirect Vested Accelerated	279,886	1.0%	—	—
Martha E. Stark * †	1,000(8) — 4,000 —	Direct Indirect Vested Accelerated	5,000	#	—	—
Eileen A. Swenson †	944 — 114,187 —	Direct Indirect Vested Accelerated	115,131	#	8,334	#
Carl B. Weisbrod * †	34,966(8)(20) — 49,686 —	Direct Indirect Vested Accelerated	84,652	#	—	—
All directors and named executive officers of Tarragon as a group (12 individuals) (21)			15,778,265	51.6%	633,334	50.0%
All directors and named executive officers of Tarragon Homes as a group (11 individuals) (22)			14,642,250	48.2%	8,333	0.7%
All directors and named executive officers of Sage as a group (8 individuals) (23)			14,044,197	46.5%	16,667	1.3%

Less than 1%.

* Tarragon director or named executive officer prior to the distribution.

† Tarragon Homes director or named executive officer following the distribution.

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- ‡ Sage director or named executive officer following the distribution.
- (1) Assumes beneficial owner will exercise prior to the distribution all outstanding options and stock appreciation rights that will accelerate and vest in full and become immediately exercisable at least five days prior to the record date for the distribution, as described under the caption "The Distribution — Treatment of Outstanding Tarragon Equity Awards." "Vested" means the number of shares of Tarragon common stock indirectly covered by options and stock appreciation rights exercisable within 60 days of March 30, 2007. "Accelerated" means the total number of additional shares of Tarragon common stock that will vest in connection with the distribution, as described under the caption "The Distribution — Treatment of Outstanding Tarragon Equity Awards."
 - (2) Percentages are based upon 28,686,614 shares of Tarragon common stock and 1,265,835 shares of Tarragon 10% cumulative preferred stock outstanding at March 30, 2007.
 - (3) Mr. and Mrs. Friedman's address is 423 W. 55th Street, 12th Floor, New York, New York 10019.
 - (4) Includes 5,831,015 shares of Tarragon common stock that are pledged in standard margin account arrangements.
 - (5) Includes 4,018,271 shares of Tarragon common stock owned by Mrs. Friedman's spouse, William S. Friedman, Tarragon's chief executive officer and chairman of Tarragon's board of directors. Also includes 2,390,509 shares of Tarragon common stock owned by Beachwold Partners, L.P., of which Mr. Friedman is the general partner and Mrs. Friedman and their four children are the limited partners, all of which are pledged in standard margin account arrangements.
 - (6) Includes 3,850,456 shares of Tarragon common stock that are pledged in standard margin account arrangements.
 - (7) Includes 5,899,077 shares of Tarragon common stock owned by Mrs. Friedman. Also includes 2,390,509 shares of Tarragon common stock owned by Beachwold Partners, L.P., all of which are pledged in standard margin account arrangements.
 - (8) Includes 1,000 shares of Tarragon restricted stock, all of which will vest in connection with the distribution as described under the caption "The Distribution — Treatment of Outstanding Tarragon Equity Awards." Holders of restricted stock have sole voting power, but not investment power.
 - (9) Includes 6,695 shares of Tarragon restricted stock, all of which will vest in connection with the distribution as described under the caption "The Distribution — Treatment of Outstanding Tarragon Equity Awards." Holders of restricted stock have sole voting power, but not investment power.
 - (10) Includes 1,811 shares of Tarragon common stock held by Ms. Mansfield's spouse, as trustee for their son.
 - (11) Includes 3,766 shares of Tarragon restricted stock, all of which will vest in connection with the distribution as described under the caption "The Distribution — Treatment of Outstanding Tarragon Equity Awards." Holders of restricted stock have sole voting power, but not investment power.
 - (12) Includes 195,294 shares of Tarragon common stock pledged as partial collateral for a line of credit with a bank.
 - (13) Includes 668,096 shares of Tarragon common stock owned by The Rohdie Family LLC, of which Mr. Rohdie is the managing member, and 2,209 shares of Tarragon common stock owned by his spouse, Barbara Rohdie.
 - (14) Includes 18,828 shares of Tarragon restricted stock, all of which will vest in connection with the distribution as described under the caption "The Distribution — Treatment of Outstanding Tarragon Equity Awards." Holders of restricted stock have sole voting power, but not investment power.
 - (15) Includes 10,000 shares of Tarragon restricted stock, all of which will vest in connection with the distribution as described under the caption "The Distribution — Treatment of Outstanding Tarragon Equity Awards." Holders of restricted stock have sole voting power, but not investment power.
 - (16) Includes 7,741 shares of Tarragon restricted stock, all of which will vest in connection with the distribution as described under the caption "The Distribution — Treatment of Outstanding Tarragon Equity Awards." Holders of restricted stock have sole voting power, but not investment power.
 - (17) Includes 60,004 shares of Tarragon common stock pledged as partial collateral for a line of credit with a bank and 27,500 shares of Tarragon common stock pledged in standard margin account arrangements.
 - (18) Includes 33,473 shares of Tarragon restricted stock, all of which will vest in connection with the distribution as described under the caption "The Distribution — Treatment of Outstanding Tarragon Equity Awards." Holders of restricted stock have sole voting power, but not investment power.
 - (19) Includes 18,114 shares of Tarragon common stock owned by Mr. Schrag's wife, Jean Schrag, and 40,497 shares of Tarragon common stock held by Mr. Schrag as trustee, in which he or his wife has a remainder interest. Mr. and Mrs. Schrag disclaim beneficial ownership of these shares, except to the extent of their pecuniary interest therein. It does not include 46,916 shares of Tarragon common stock held by Mr. Schrag as executor for the estate of Jane P. Norman, the deceased parent of Lucy N. Friedman. Mr. Schrag disclaims beneficial ownership of such shares.

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- (20) Includes 21,066 shares of Tarragon common stock pledged in a standard margin account arrangement.
- (21) Includes 49,220 shares of Tarragon common stock issuable to directors and executive officers upon the acceleration of outstanding stock options, stock appreciation rights and restricted stock in connection with the distribution, as described under the caption "The Distribution — Treatment of Outstanding Tarragon Equity Awards."
- (22) Includes 93,426 shares of Tarragon common stock issuable to directors and executive officers of Tarragon Homes upon the acceleration of outstanding stock options, stock appreciation rights and restricted stock in connection with the distribution, as described under the caption "The Distribution — Treatment of Outstanding Tarragon Equity Awards."
- (23) Includes 36,416 shares of Tarragon common stock issuable to such directors and executive officers of Sage upon the acceleration of outstanding stock options, stock appreciation rights and restricted stock in connection with the distribution, as described under the caption "The Distribution — Treatment of Outstanding Tarragon Equity Awards."

COMPLIANCE WITH SECTION 16(A) REPORTING REQUIREMENTS

Section 16(a) of the Exchange Act requires that Tarragon's directors, executive officers, and persons holding ten percent or more of Tarragon common stock file initial reports of ownership of the common stock and reports of any changes in that ownership to the SEC. Specific due dates for these reports have been established, and Tarragon is required to report any failure to file by these dates during fiscal 2006.

To Tarragon's knowledge, based solely upon the written representations of Tarragon's incumbent directors, executive officers, and ten percent stockholders and copies of the reports that they have filed with the SEC, these filing requirements were satisfied during 2006.